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UNITED STATES DEPARTMENT OF AGRICULTURE
Office of the Secretary

AGRICULTURE'S FUTURE

Talk by Assistant Secretary of Agriculture Knox T. Hutchinson,
at the 30th Annual Agricultural Outlook Conference, Monday,
October 20, 1952, 10:15 a.m., EST.

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Thirty years is a long time, especially in this turbulent, fast-moving world in which we have lived since the outbreak of World War I.

So it seems to me significant that this is the 30th outlook conference, the 30th time that Land-Grant College workers have met with us here in the U. S. Department of Agriculture to discuss the current economic situation and probable trends ahead. Over these years you have developed a continuous economic outlook service for American farmers and farm families.

I know something of the difficulties you have to overcome both in collecting and organizing the factual materials with which you work. And I recognize, as you do, the difficulties involved in the task of evaluating our economic future.

But farmers recognize these difficulties even more clearly, for they have to make such evaluations all the time. On the farm, all production begins with a judgment by the farmer about future prospects. When he plants his crops and raises his livestock--producing things which cannot be ready for market until months or even years later--he necessarily acts upon some kind of expectation as to what future conditions will be. We see this most plainly in the matter of price expectations, although it applies in many other respects as well.

But we live in a complex economy. Today, events and actions occurring at places far distant from the farm are continually altering our farm prospects--continually creating new sets of probabilities. Farmers of today must keep informed of these changes and how they affect them. As I see it, our job in outlook work is to supply them this information.

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Outlook work is based on facts obtained from many sources--inside and outside of agriculture. And we endeavor to present these facts in a frame-work which allows farmers to understand and interpret them. By this means our statistics and economic analyses are made available to farmers everywhere, through the cooperative efforts of the State Colleges and the Department.

The Colleges and the Department have learned a lot in the last 30 years. Our basic statistics are more adequate and more reliable. Our techniques of statistical analysis have been improved. And certainly we understand better the economic factors affecting agriculture and the rest of the economy. No one would claim that we have reached perfection--or even that we are close to it. But we have made real progress.

The steady growth of agricultural outlook work points clearly to its value in helping both farmers and the Nation prepare for future developments affecting agriculture. Today, outlook work and its related activities are an integral part of the American farm scene.

I know that to many people your analyses and conclusions this week would seem over-technical. I also know that your discussions here and in the States will serve as the technical basis for the much simpler and more widespread discussion in the months just ahead. This more popularized outlook discussion will be carried to farm people all over the country through the farm press, radio and television stations, the farm organizations, the columns of many of our daily newspapers, countless Extension meetings, and through the day-to-day discussions between farmers themselves.

To some extent, the content of our agricultural outlook conferences tends to be relatively constant, year after year. We are always interested in the current situation of agriculture and farm people. We always discuss the immediate outlook for the major commodities such as corn, cotton, wheat, milk and butterfat, and beef cattle. However, the content of the discussions does change as economic conditions or the outlook itself changes.

One of the trends in these meetings which has been especially gratifying to me is the increasing interest of the home economists. I know that farm family living costs are as important to farmers and their families as production costs. The farmers' cash receipts must cover both, and satisfactory living conditions on farms are essential to successful farming.

I also realize that home economists have an especial interest in the whole problem of food and nutrition. Many of the primary responsibilities of the Department and the State Colleges are duties to farm people, but we also have responsibilities to the general public. We are proud of the fact that leadership in this food and nutrition field over the years has so largely centered in the Department and the Colleges, and it is a field to which we must in the future give more, rather than less, attention.

In the two preceding conferences the Secretary of Agriculture has opened this conference by discussing the problems which the defense emergency raised in agriculture. He also discussed with you action which the Department of Agriculture had taken or was considering in order to help farmers do their part in the defense program.

This morning I want to look at our defense problem from a somewhat different angle. It is my understanding that a number of the State extension economists have indicated they would like this conference to give attention to the intermediate or longer-run agricultural outlook, as well as to the more immediate situation. It seems to me that there are sound reasons for your interest in this longer-run appraisal.

We are aware that the first or emergency phase of the defense program is in large part behind us, provided military activities are not expanded. We are also becoming increasingly aware that farming is the kind of business that requires many long-term decisions by the farmer. For example, the Colleges and the Department are united in encouraging grasslands agriculture. The grasslands program involves some rather long-time decisions. Farmers cannot shift into and out of grass and livestock on short notice.

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With a view to the longer-term outlook, then, I would like to share with you this morning some of my thoughts as to the future of American agriculture. In this I want to emphasize that I believe the long-run outlook is encouraging--and in the same breath I want to point to some of the problems which still confront farmers. But before getting into these matters, there are some things I want to say about the continuing nature of the defense effort.

It is now over two years since the initial Korean outbreak. Defense expenditures as currently scheduled are approaching the leveling-off stage. That stage, it now appears, probably will be reached sometime within the next year. An increasing number of business analysts and others are raising the question as to whether we may not have some economic difficulties if defense expenditures do level off.

This is certainly a matter worth discussing, but we must not allow our attention to be distracted from the hard reality of our actual situation. The defense emergency is still with us. We must keep that clearly in mind.

We all know the kind of problems with which we are faced in advancing the cause of the free and democratic world against the communist threat. These problems are not ones which are likely to be settled by a struggle either easy or short in duration. If we are to win this struggle, we shall have to put forth a continuous effort, not simply for a couple of years but for as long as is necessary to achieve real national security. To forget this is to invite disaster on a world-wide scale.

In this connection I think it worth while to call attention to where the real strength of the American Nation lies. Of course, we must have adequate military defense. However, simply building up our military machine is not enough to give us security. Furthermore, increased military strength does not by itself provide the most efficient and economical way of meeting our defense needs.

Underlying all of our military and other defense programs is our expanding economy. This is the basic bulwark of freedom. Human dignity and freedom throughout the world, as well as our own national security, depend upon American productive capacity--both in agriculture and in industry.

In a world seething with unrest, we are dwarfed in manpower by the communist hordes of Russia and the Far East. We are not a small country, but we certainly do not control a geographic area as large as the great land masses controlled by the communists in Europe and Asia. On the other hand, ^{we do} have an enormous ability to produce. This is our basic strength. This means that we are in a position to release the maximum number of men for fighting, if necessary--and it means also that we can pour forth bountiful supplies of the food and industrial goods that are required for victory. We must see that this continues to be the case. As I see it, this calls for attention not only to our own productive capacity but also to that of our friends and allies.

When we look at the prospective leveling off of defense expenditures--at a very high level, I would add--we are likely to suspect that ~~that~~ also means a leveling off in demand for farm products. In agriculture, it appears, we always have some problems of adjustment. Wheat is a case in point. A somewhat smaller acreage of wheat for harvest next spring and summer could allow increased plantings to other crops which are more needed, especially the feed grains and hay and pasture.

Maintenance of our agricultural productivity through soil conservation is part of the defense program. Also, it is in the long-time interest of farmers themselves and of the Nation as a whole. This brings me back to the specific consideration of the longer-run outlook.

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This is still a relatively young, rapidly growing Nation. Our population is currently increasing at a rate of something around 2 1/2 million people--over 1 1/2 percent--a year. Our current population of about 157 million people compares with 125 million 20 years ago. Using the medium calculations of the U. S. Bureau of the Census, we expect to have a population of around 190 million people by 1975--an increase of about 20 percent from present levels.

American consumers have increased their average per capita food consumption by about 12 percent above pre-World War II levels. And there are still plenty of people in this country who should be better fed.

The upsurge in our population which is now under way means that we shall need increasing agricultural production--if we are to maintain average per capita consumption of food and fiber in the United States itself.

But we also export substantial quantities of some of our staple agricultural commodities. Over the last 5 years we have exported, roughly, 1/3 of our cotton, 1/3 of our wheat, 1/4 of our tobacco, and 1/3 of our rice. Also, our exports of some other commodities such as apples, citrus, and dried fruit, have been considerable. Is this likely to keep up?

I am sure you will discuss the probable strength of the foreign market in detail during this conference. But I should like to call your attention to the fact that the United States is almost the only major country in the world where agricultural production is keeping pace with population. And I want to point out that all of our agricultural exports together account for only some 8 to 10 percent of our total agricultural output. And I also would stress this fact--that, if consumption levels for such commodities as wheat, cotton, and tobacco are to be maintained in free nations of the world, these nations must almost certainly continue to look to us as a major source of supply.

I suppose I can summarize this by saying what Secretary Brannan and others of us have said many times in the past--that what we want is an economy of abundance. We cannot afford anything less than that.

Actually, full production gives a more efficient and more economical use of our resources than limiting our production could ever do. In saying this, I realize the problems involved. We must have not only an expanding agriculture in the United States but also an expanding industrial production. The two are interrelated.

In expanding agricultural production, farmers need to make such adjustments as will best keep the acreages of the different crops and the numbers of the different classes of livestock in line with effective demand.

The Department will again use production goals as an additional means for centering the attention of farmers upon the adjustments which are needed for the coming year. So far we have announced production goals for only a few crops--wheat, rye, barley, fall-sown oats and flaxseed, winter cover crop seeds, and winter and spring vegetables. But various supply-estimates committees and other groups in the Department are now working out the goals for other crops which I hope we can announce before too long. As a matter of fact, the outlook materials which will be discussed at this conference are among the major tools used by the Department and State Mobilization Committees in determining recommended acreage goals for the coming year.

Perhaps I should emphasize the fact that the acreage goals which the Department recommends are precisely that--recommendations. That is, they are a device for advising farmers of what is safe or needed from a national standpoint, taking into consideration the outlook prospects such as you discuss here, together with allowances for defense needs. It is still up to each individual farmer, of course, to decide what is best in his case--what he shall produce and when he shall market it.

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Production goals are also useful in that they help the Department in estimating farmers' supply requirements. We all know that farmers, in order to maintain production, must have adequate supplies of farm machinery, fertilizer, insecticides, and other production goods. To help assure these supplies, the Department of Agriculture is still acting as claimant agency for the chemicals, steel, and other essentials for maintaining agricultural production. I think we have been doing a good job. Without going into detail, it is my understanding that supplies of farm machinery, fertilizer, and most other production goods should be reasonably adequate for 1953.

As you probably know, the Department has been instrumental in obtaining defense allocations for greatly increased fertilizer manufacturing capacity. For example, it is expected that as a result of new plant capacity, about 70 percent more nitrogen fertilizer will be available for the 1955 crop year than was available for 1951. Increased production and use of fertilizer can make an important contribution to productive capacity.

The Department and the Land-Grant Colleges are working together through a national committee to develop and to suggest ways of carrying out a program for more efficient use of fertilizer and lime. The fertilizer and lime program will supplement and reinforce the Department Land-Grant College Grasslands Program. Both are designed to help farmers increase the productivity of their farms and provide sufficient flexibility for emergency needs.

These several activities, designed to assure farmers of the production requisites they need and to encourage more efficient use of materials, are both worthwhile and necessary. But there is another item we should not overlook when we are considering this problem of increasing agriculture's productive capacity over the years ahead. This is the need for strengthening our research and educational services.

Agricultural research and cooperative Federal-State extension work have paid great dividends to farmers, to the American public, and to free people all over the world. But I am sometimes disturbed by discussions which seem to imply that we already have the "know-how" to indefinitely increase production in this country. We need to increase our research backlog, and we need to continue to improve the ways in which we translate or make these research results available to farmers and farm people.

From time to time, some really difficult price and storage problems arise to plague farmers--and of course to plague the Congress and the Department of Agriculture. I do not want to discuss these in detail here. However, I know you recognize that such problems would increase and become more difficult in any period of adverse economic conditions. Furthermore, we have seen that, even under conditions of full employment, there are times when farmers need assistance in marketing their products at satisfactory prices.

For the so-called "basic" or storable commodities, we have a system which works reasonably well. However, the producers of perishable commodities, including most of the livestock items, are still at the mercy of wide swings in prices which can hit producers with cruel force. With our interest in maintaining a high level American diet and promoting a grasslands-livestock type of agriculture, we also need more adequate methods than are now available for assuring producers of perishable commodities some reasonable degree of price protection.

As I see it, therefore, consideration of American agriculture's longer-range future requires a clear recognition of the differences between the problems of producers of storable commodities and those which affect the producers of perishables. In the case of storables, our methods involving commodity credit, storage, and marketing quotas have demonstrated their usefulness, both as means of eliminating excessive instability in farm prices and as means of promoting abundant production. These are social inventions of the first order.

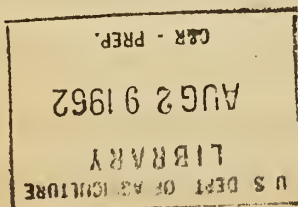
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We have not yet faced up to the problem in perishables. The income from the sale of perishables constitutes the greater portion of the income of American farmers. Our prospective population increase provides indeed the basis for substantial optimism concerning the longer-range future for producers of perishables, but our production capacity in this area, no less than in the case of the storables, is such that production can still on occasion outrun demand at reasonable prices.

In conclusion: We have almost completed the initial build-up originally contemplated in the defense program. Our national security expenditures are now running at an annual rate of about 50 billion dollars, three times pre-Korea. This entire increase in defense expenditures has been met by increasing productive capacity of the American economy. I don't know whether all of us fully realize what a magnificent record this is. Although we have had to draw manpower into the military service and divert large quantities of materials, we have been able to increase our defense production of equipment and supplies equivalent to an annual rate of 33 billion dollars while at the same time maintaining the existing standard of living for a rapidly increasing population.

American farmers have certainly made their contribution to this program and, I am satisfied, will continue to do so. It is essential that they keep on doing it. We are still in the midst of a continuing defense emergency. High-level agricultural production is essential to the kind of alert preparedness which the American Nation must maintain. It is our job, yours and mine, to help farmers obtain this production as economically and efficiently as possible.



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UNITED STATES DEPARTMENT OF AGRICULTURE
Office of the Secretary

Feb. 6, 1950. Washington.

THE MILKY WAY

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Talk by Assistant Secretary of Agriculture Knox T. Hutchinson at meeting of Maryland-Virginia-District Milk Producers Association, Statler Hotel, Washington, D.C., February 6, 1950, 1:30 p.m., EST.

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As a dairy farmer myself, it is always a pleasure for me to meet with other milk producers. We represent one of the biggest segments in the Nation's agriculture, and certainly one of the most important. I am sure you are just as proud as I am of the vital contribution our dairying industry makes to the health and well-being of the American people.

There are many things I like about dairy farming, but one stands out. It is the pride good dairymen take in big roomy barns, in spotless milking equipment, in clean herds, in pastures and meadows of grass, clover, and alfalfa. A modern dairy farm represents a very substantial investment, as you well know. Handling the costly tools of production requires professional skill of high order. Efficiency and high quality are both your guide and your goal.

But there's another thing I like, too. It's the steadfast faith which dairy farmers have in their products. They like to see people drink milk and eat butter, cheese, and the full array of good milk products. If you like, you may put this down as the practical business proposition that it is for most dairy farmers. But I have always found that they like their work for deep and abiding reasons. It's second nature for most dairymen to like to know that their milk is used to better the diets of the Nation. Dairy farmers believe in abundance -- for everyone.

Dairying today means more to the Nation, however, than just abundance of nutritious foods. It is making a valuable contribution to the health of our land, as well as to the health of our people. It is helping replenish our soil, and helping to store up in our soil the opportunity for abundance for generations yet to come.

Fortunately, dairying fits both our Nation's present dietary needs and our Nation's soil conservation needs.

Increased milk consumption would be a valuable step toward improving the diets of the American people. We know that milk furnishes a greater number of essential nutrients, including vitamins, than any other single food. In fact, it is often called the most nearly perfect food. And it is one of the best food bargains. We must impress that upon the American people.

Recent surveys of city eating habits show a definite need for more calcium in the diets of many persons. And it's not just among the low-income families, either. About 20 percent of city families with incomes of \$5,000 or more after taxes had diets estimated to fall below needed allowances for calcium. Fifteen percent were also deficient in riboflavin.

Increased milk consumption can correct that situation, as milk is one of the most excellent sources of calcium and riboflavin. Those thinking of milk only in terms of the nutrients appearing in the usual tables of food composition may be surprised to learn that the National Research Council reports a carefully documented list of more than 100 nutritive substances in milk.

But our milk consumption is still too low for good nutrition. Even in 1948 when milk consumption was a little higher than at present, almost thirty percent of all city families were using less than a pint of milk per person per day.-- less than 3.5 quarts per person per week. Those totals include milk in the form of cheese, evaporated milk, cream, ice cream, or other dairy products. About sixty percent consumed less than the equivalent of five quarts a week, which is still slightly below the average recommended amount in the low-cost food plan of the Department's Bureau of Human Nutrition and Home Economics.

What increased dairy consumption means to the health of our people, increased dairy production throughout the Nation means to the health of our soil.

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USDA 324-50-2

It means a shift from soil-depleting crops now becoming surplus to soil-building grasses and legumes preserving and replenishing the fertility of our farmlands. It means storing our food reserves in the soil and at the same time producing health-giving foods for which there is both more need and demand.

Encouraging this shift to an animal agriculture is one of our basic national objectives. It is needed for the better health of our people, for the conservation of our soil resources, and for a better balanced pattern of agricultural production so necessary to the economic well-being of agriculture as a whole.

But what is that shift in emphasis, that encouragement of increased dairying and meat-animal production, going to mean to you who are already in the dairy farming business, and already have sometimes more than your share of marketing problems?

People have shown they want and will use all the dairy products we produce if they have the income to buy, but what if that income falls even temporarily -- what then?

Naturally, you are just as concerned as anyone else with the health of our people, with the encouragement of more adequate diets, with making an abundance of nutritious food available so that more people can enjoy such proper diets. But you have a right to be concerned over whether improvement of the American diet must be at your expense.

Naturally, you are just as concerned as anyone else with the conservation of our soil, and recognize the soundness of the shift from row crops to soil-building grasses to preserve the fertility of our land for future generations. But you also have a right to be concerned over whether you alone must pay the bill today for storing the crops of the future in the soil.

Naturally, you want to see a healthy and well-balanced agriculture throughout the Nation and realize that changes and adjustments in production are necessary to achieve that balance. But you can hardly be blamed if you put first in your

thinking what effect such adjustments are going to have upon you personally -- whether increased dairy production is going to mean increased competition, and lower prices for your products.

So you have every right to ask, and to expect, assurance of protection against unreasonable price declines. You have the right to expect some assurance of fair returns for your investment and your toil, if the Nation is going to call for increased production to meet the combined needs of the Nation's health, soil conservation, and a better balanced agriculture.

Just what is our situation today, in dairy consumption and dairy prices?

During the war period, per capita consumption of milk and dairy products increased. This increase was mainly in the consumption of whole fluid milk. Per capita consumption of milk and cream went up from the prewar 340 pounds to 432 pounds in 1945. Consumer purchasing power was high in relation to prices. This gave more people the chance to buy the milk they needed for a wholesome diet rich in vitamins and other protective food elements. We discovered once again that milk consumption is elastic.

Since the end of the war, however, per capita consumption of milk and dairy products has tapered off rather seriously. Instead of going still higher, consumption of fluid milk has fallen back to 375 pounds per person, about 15 percent below the 1945 peak. The decrease came with the upward spiral in retail prices.

I think you will agree that that alone is a disturbing sign for the future of our dairy industry. But another equally troublesome fact is the continuing slide in the over-all consumption of dairy products. In 1949, our average per capita intake, including milk and cream, dropped to 759 pounds in terms of whole milk compared with our peak consumption of 839 pounds in 1942. One of the amazing facts of 1950 is that this near-record low is about 60 pounds less than the prewar consumption when we had just rounded the corner from a depression diet.

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The most important factor in the per capita decrease in consumption is the drop in consumption of butter. There have been a number of reasons for the decrease in butter consumption. One of those reasons, of course, has been the development of substitutes for butter. However, this has not been the only factor, or even the most important factor, in the decreases.

Is the dairy industry losing ground in America? Many dairy leaders look forward to lifting our per capita consumption to around 1,000 pounds of milk combined in fluid milk, in fluid cream, and in other dairy products. But we now seem headed downward, instead of upward.

Must we accept this dark outlook as all the future holds in store for the dairy industry?

I don't think so.

Although there has been a continuous and substantial decline in fresh milk consumption since about 1947, the long time trend of fluid milk consumption is up. The consumption of other products, particularly of evaporated milk, American and cottage cheese and cultured buttermilk has also increased steadily since the early thirties.

It appears, therefore, that the long-time consumption trends indicate a reduction in butter consumption and increases in fluid milk, cheese, buttermilk, and evaporated milk consumption.

The people of the United States eat more and better food whenever their incomes permit it. We proved that during wartime when our per capita consumption reached an all-time high. That per capita consumption has been declining to some extent from its peak, partly due to more competition for the consumer's dollar. But we're still eating more -- and better -- than prewar. Last year we ate over one-tenth more food per person than in the average of the five years just before the war. The trend toward a better diet can be resumed upward provided farmers go on producing abundantly and consumers have money to buy.

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The Department has estimated that in the decade from 1955 to 1965, if we have high employment, the American people will step up food consumption another 10 percent. When consumers have the financial opportunity to turn consumption upward, you may be sure that they will go for the foods for which they have displayed a genuine liking -- including milk and other healthful dairy products. That additional general boost in food consumption could mean that we will consume per person 135 pounds more milk per year. And that's not based upon the requirements of an ideal diet, but only on what experience has shown people will buy under conditions of high employment and high dairy production.

From the standpoint of potential demand, therefore, the future is looking up.

You might well ask, how is the dairy industry going to bridge the gap between present production and consumption, and that figure of 135 pounds more milk per person in the decade 1955-65? How are we going to reverse the present dip in consumption and get moving ahead again?

I think Secretary Brannan answered that pretty well in a recent address to the National Co-operative Milk Producers' Federation in New York City when he said, and I quote:

"We will need a level of consumer income which will help bring about more abundant dairy production.

"We will need a method of price support which will bring about more abundant dairy consumption.

"We will need to make full use of our cooperative advantages so that we can bargain better, compete more effectively, and exercise the maximum in self-help.

"We will need ~~we~~ marketing agreements and orders to help maintain orderly marketing.

"We will need even greater emphasis on improving dairy herds and pastures."

That is the end of the quotation.

Let's consider those needs for a moment, and apply them to your situation in the Virginia-Maryland area.

Growing population in the Washington metropolitan area has kept consumer purchasing power on the rise here, and has provided not only the incentive but the necessity for your abundant production. You have met that challenge well.

You have demonstrated the effectiveness of cooperation in meeting the pace of increasing demand from our tremendous wartime growth in population, and you have shown how effectively a cooperative such as yours can exercise the maximum of self-help in providing the most adequate returns possible for your members.

You have helped meet the challenge of our increasing population by improving your herds and your pastures, increasing your production per cow, and increasing the carrying capacity of your pasture land.

You now have at your disposal the machinery for marketing agreements and orders to help maintain orderly marketing, when and if you as producers decide its use is necessary and advantageous.

The American people could well consume much more milk than is now being produced. But to achieve this production and consumption, we must have adequate returns to the producer while at the same time permitting consumers to satisfy their needs at prices they can afford to pay.

United States farmers are now getting about 18 percent less for their milk at wholesale than they were three years ago. The purchasing power or exchange value of farm dairy products is now considerably below the average of the past 10 years, and it is still declining.

Yet, according to the parity formula, dairy farmers are very well off. You and I know better. While dairy farmers are now getting almost one-fifth less for their milk at wholesale than they were three years ago, they are still paying near-record prices for many of the things they have to buy.

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Although the new legislation is a significant advance, particularly for dairying, over the legislation of the 80th Congress which it replaces, there are still some highly important problems which it does not solve.

We now have authority for a somewhat higher support level, but we are still limited to the old method of loans and purchases in trying to make that support effective.

We now have on hand in expensive storage about 90.6 million pounds of butter which were accumulated by purchase operations. We have 25.5 million pounds of cheese and around 175 million pounds of dried milk solids. While these amounts in storage may not be all surplus, our accumulations are likely to become serious if we are forced to continue to operate under an inadequate, inefficient price support program.

In view of the obvious need and capacity of the American people to consume dairy products, it surely does not serve the best interest of either producers or consumers if we are forced to take great quantities of butter and other dairy products out of the market.

Yet that is just what we are forced to do when we support dairy products by means of purchases alone. We cannot throw the surplus on the market -- that would defeat the whole purpose of the support program. We can only store it, or give it away.

I think Secretary Brannan gave every dairyman something to think about recently when he asked:

"How long will the American people submit to continued accumulations of butter and cheese while supporting / ^{dairy} products at 90 percent -- or even 75 percent -- of the modernized parity?"

The Administration recognizes this weakness, this threat to our entire support program. Because it believes the trend downward in prices and upward in accumulation of surpluses is not in the public interest, it has recommended certain improvements in our price support program to more effectively resist it.

It has proposed not only a level of support for dairy products which would be in line with current costs, but also a method which would enable them along with other perishables to be consumed in greater amounts - a method avoiding the penalty on the consumer.

We proposed to add to present methods of supporting such nonstorable crops as milk, meat, and eggs the method of direct payments to producers. Instead of relying solely upon the purchasing of dairy products and taking them off the market to maintain a fair return to producers, the price of milk would be allowed to find a supply-and-demand level. If this level should carry the price below the point of support, the difference would be made up by a payment directly to the producer.

Under this method consumers would get a direct return or benefit -- lower market prices -- from their tax money used for price support. Under the purchase method, in contrast, the consumer first pays the taxes with which the Government buys the surplus and removes it from the market, and then he pays an artificially high price for the product that remains on the market.

Production payments as proposed by the Secretary should not be confused with the feed payments during the war. At that time the payments were made in lieu of price increases which the dairy farmer could have obtained from a free market. There was a ceiling on the farmers price. No ceiling price is involved in the program suggested by the Secretary. Each farmer, either individually or through his cooperative will endeavor to obtain as high a price as possible for his milk and the direct benefits of good marketing and good bargaining could accrue to him. Then if, on the average, dairy farmers had not obtained the support price to which they were entitled, production payments would then be made. Since the payment would be based on the difference between the average price and the support level, there would be an incentive for producers themselves through their cooperatives to do the best job of marketing and to obtain the best premiums available for their product.

The payments, therefore, have different purposes from those of the war. They will provide a means so that you won't have to pay out of your own pocket for the privilege of abundantly providing the Nation with an adequate and healthful diet, of further conserving the fertility of our soils, and of achieving a more proper balance in the Nation's pattern of agricultural production.

I have talked mostly about prices and consumption today, because I feel they are the most immediate pressing problems of the dairy industry.

But linked with a better price support method and continuing efforts to increase consumption, we need continued breeding and feeding improvements if future demand for dairy products is to be met; we need research into consumer preferences for packaging, time and kinds of delivery; and we need merchandising projects, and introduction of efficiencies into the marketing system and reductions in marketing charges.

You as dairy producers are exceptionally well organized, a mature part of agriculture. As such you can help lead the way toward our goal of abundance properly shared between producer and consumer. Your cooperative endeavor symbolizes the mutual helpfulness and understanding so necessary toward achieving any of our goals for improvement of mankind's standard of living.

The future for the entire dairy industry can be bright. The need for milk and dairy products far exceeds present supplies. As our population grows and the life span of our people becomes longer, the demand for milk should continue to increase.

By working together, with the help of an efficient and adequate/price support program, we can achieve our full production and consumption potential.

Then every dairyman can be even prouder he has hitched his wagon to a star in the milky way.

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